MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") was prepared as of November 8, 2012, and is intended to assist the reader to understand the current financial position and operating results of Strad Energy Services Ltd. **("Strad" or the "Company")**. This MD&A discusses the operating and financial results for the three and nine months ended September 30, 2012, and takes into consideration information available up to that date. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of Strad for the three and nine months ended September 30, 2012, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2011, all of which were prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. Strad's common shares trade on the Toronto Stock Exchange under the symbol "SDY".

Additional information relating to Strad for the three and nine months ended September 30, 2012, may be found on the System for Electronic Document Analysis and Retrieval **("SEDAR")** at www.sedar.com.

SELECTED FINANCIAL AND OPERATIONAL HIGHLIGHTS:

- Third quarter revenue from continuing operations of $51.1 million, an 18% decrease compared to $62.7 million for the same period in 2011;
- Third quarter EBITDA(1) from continuing operations of $12.0 million, a 31% decrease, compared to $17.5 million for the same period in 2011;
- Capital expenditures of $9.1 million in the third quarter and $55.8 million YTD;
- Launch of EcoPond™ frac-water storage tanks in Canada during the third quarter and rollout of the product in the U.S. in the fourth quarter. The Company has completed a number of successful deployments with positive initial feedback from customers;
- Total funded debt(2) to trailing EBITDA ratio of 1.1 to 1 at the end of the third quarter of 2012; and,
- Third quarter earnings per share from continuing operations of $0.08.

Notes:

(1) Earnings before interest, taxes, depreciation and amortization ("EBITDA") is not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation".

(2) Funded debt includes bank indebtedness plus current and long-term portion of debt plus current and long-term obligations under finance lease less cash. EBITDA is based on trailing twelve months. See "Non-IFRS Measures Reconciliation".

THIRD QUARTER FINANCIAL HIGHLIGHTS

	Three months ended September 30,			Nine months ended September 30,		
($000's, except per share amounts)	**2012**	**2011**	**% chg.**	**2012**	**2011**	**% chg.**
Revenue from continuing operations	51,094	62,675	(18)	161,699	126,174	28
EBITDA from continuing operations [1]	12,030	17,484	(31)	38,896	35,140	11
EBITDA as a % of revenue	24%	28%		24%	28%	
Per share ($), basic	0.33	0.48	(31)	1.06	0.96	10
Per share ($), diluted	0.32	0.47	(32)	1.03	0.95	8
Net income from continuing operations [2]	2,937	7,325	(60)	10,832	12,165	(11)
Per share ($), basic	0.08	0.20	(60)	0.30	0.33	(9)
Per share ($), diluted	0.08	0.20	(60)	0.29	0.33	(12)
Funds from continuing operations [3]	10,950	16,457	(14)	36,722	33,852	22
Per share ($), basic	0.30	0.45	(33)	1.00	0.92	9
Per share ($), diluted	0.29	0.44	(34)	0.98	0.91	8
Capital Expenditures from continuing operations [4]	9,095	6,632	37	55,756	58,656	(5)
Total assets[5]	236,327	260,575	(9)	236,327	260,575	(9)
Return on Average Total Assets [6]	20%	41%		23%	33%	
Long-term debt[7]	53,500	31,500	70	53,500	31,500	70
Total long-term liabilities[5]	70,101	61,175	15	70,101	61,175	15
Common Shares – end of period ('000's)	37,251	37,246		37,251	37,246	
Weighted average Common Shares						
basic	36,623	36,692		36,683	36,692	
diluted	37,499	37,018		37,623	37,036	

Notes:

(1) *Earnings before interest, taxes, depreciation and amortization ("EBITDA") is not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation".*
(2) *Net income from continuing operations excludes income attributable to the non-controlling interests.*
(3) *Funds from operations is cash flow from operating activities before changes in working capital. Funds from operations is not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation".*
(4) *Includes assets acquired under finance lease and purchases of intangible assets. Capital expenditures are net of rental asset disposals.*
(5) *Includes discontinued operations in 2011 figures.*
(6) *Return on average total assets is not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation".*
(7) *Excluding current portion.*

OVERVIEW OF THE COMPANY

Strad offers its customers a wide range of turn-key well-site infrastructure activation solutions including, surface equipment, environmental and access matting, drill pipe, EcoPond™ frac-water storage solutions, satellite communications, solids control and waste management, and manufactures both matting and surface equipment. Strad has strategically diversified its operations through the addition of new products and services, and is geographically diversified across North America. Strad's commodity exposure includes conventional and unconventional oil, liquids rich natural gas and dry natural gas. Geographically, the Company has expanded its base beyond the Western Canadian Sedimentary Basin ("WCSB") into resource plays throughout the United States ("U.S."), namely the Marcellus in Pennsylvania, the Bakken in North Dakota, the Eagle Ford in Texas and various areas within the western United States Rockies. As of September 30, 2012, the Company has 34 operating locations throughout North America.

THIRD QUARTER RESULTS

Strad reported a decrease in revenue of 18% during the three months ended September 30, 2012, compared to the same period in 2011. Substantially decreased revenue from Product Sales, lower activity levels in the Marcellus region, as well as dry conditions in the Bakken region which affected matting utilization, were the main reasons for lower revenue year-over-year.

Strad's Canadian Operations reported higher revenue and EBITDA, but slightly lower EBITDA margin percentage during the three months ended September 30, 2012, compared to the same period in 2011. Decreased margins were a result of reduced drilling activity in the WCSB coupled with increased infrastructure costs required to support an expanded asset base. Canadian drilling rig utilization increased at a slower rate after spring breakup in 2012 compared to 2011, and did not return to prior year levels leading to a 25% year-over-year decline in active rigs. Despite this, Strad's Canadian Operations reported higher revenue year-over-year due in large part to successful deployment of an expanded matting fleet.

Third quarter EBITDA results from Strad's U.S. Operations continued to be affected by lower utilization levels in the Marcellus resource play in Pennsylvania. As was the case in the previous quarter, Strad's customer base in the Marcellus continued to reallocate assets to other resource plays in order to focus on oil and higher margin liquids rich natural gas drilling. Overall rig counts in the Marcellus declined 16% from second quarter 2012 levels, resulting in lower utilization rates for Strad's equipment and matting fleet as well as prompting further pricing pressure. Warm and dry weather conditions in North Dakota also continued into the third quarter, resulting in lower utilization rates for Strad's U.S. matting fleet compared to 2011 when North Dakota experienced unusually wet weather conditions. EBITDA was again affected by the increased infrastructure required to support multiple regions and a larger asset base.

During the third quarter, Strad added $3.7 million of capital assets in Canada and $4.3 million in the U.S. For the nine months ended September 30, 2012, Strad has spent $55.8 million of its budgeted $72.0 million capital program. Strad continued to invest in new product initiatives including its frac-water storage solution EcoPond™ as well as solids control and waste management.

OUTLOOK

Industry conditions during the third quarter deteriorated on a year-over-year basis as a result of the continued shift away from less profitable natural gas plays as well as generally lower capital spending levels on the part of exploration and production ("E&P") companies. In the WCSB, active drilling rigs in the third quarter of 2012 averaged 339 compared to 454 for the same period in 2011, a 25% decline. In the U.S., drilling rig activity levels varied by region. The Bakken, Marcellus, and Eagle Ford plays drive the majority of the Company's operating activity in the U.S. In the Marcellus play, the active rig count averaged 93 rigs in the third quarter of 2012, down from 132 in the prior year, a 30% decline. The Bakken's average rig count increased from 180 in the third quarter of 2011 to 210 in the third quarter of 2012, and the Eagle Ford rig count increased from 202 in the comparative period last year to 242 in the third quarter of 2012.

Despite reduced drilling activity in Canada and the Marcellus region, Strad was able to grow revenue and EBITDA in Canada and largely hold its market share of active rigs in the U.S. This achievement, along with the deployment of the Company's capital program, positions Strad well for long-term growth and further market share gains. The expansion of the equipment fleet was also achieved without increasing debt beyond our target leverage range.

The primary cause for the Company's year-over-year decline in EBITDA was the continued impact of low natural gas pricing in North America and dry conditions in the Bakken. Despite significantly lower activity levels in the Marcellus play, Management continues to believe in the play's long-term potential and as such continues to maintain a sustainable presence in this market.

Strad also pushed forward with its EcoPond™ frac-water storage tank initiative during the third quarter. The Company launched the product in Canada in the third quarter and has begun to roll out the product in the fourth quarter in the U.S. Strad has had a number of successful deployments and customers have expressed positive feedback regarding the product and service. Strad sales teams continue to receive strong interest for both composite and steel EcoPond™ designs and the Company expects modest deployment of units during the fourth quarter while service infrastructure is organized to support additional deployments. Sufficient internal and external manufacturing infrastructure remains in place to meet future demand. The Company continues to work with customers to enhance its product offering and services. Strad has also completed a design for a new 45,000 barrel composite EcoPond™, with a targeted launch in 2013.

Capital expenditures for the third quarter were $3.7 million in Canada and $4.3 million in the U.S. This represented a year-over-year decrease of $3.8 million in Canada and a $5.7 million net increase in the U.S. Management continues to allocate capital on a roughly equal basis between its U.S. and Canadian Operations, with the Company having spent 77% of its planned $72 million 2012 capital program. Management continues to believe that establishing a strong presence in its target markets through a disciplined capital program is essential to the long-term success of the Company. In keeping with this, Management intends to proceed with its previously planned capital spending for the fourth quarter.

Management expects that fourth quarter industry conditions will be similar to those of the third quarter. In Canada the matting business tends to experience seasonal declines in the fourth quarter that can be somewhat offset by seasonal increases in utilization of surface equipment when typical patterns of increased fourth quarter activity emerge. In the current environment, flexibility and the ability to scale operations and manufacturing remain a key focus for the Company. The Company continues to manufacture approximately 25% of its products in-house, providing flexibility to react to changing activity levels. This, in combination with conservative leverage levels and a sales strategy focused on multiple plays, has enabled the Company to remain nimble in the face of uncertainty.

RESULTS OF OPERATIONS

Canadian Operations

	Three months ended September 30,			Nine months ended September 30,		
($000's)	**2012**	**2011**	**% chg.**	**2012**	**2011**	**% chg.**
Revenue	19,165	17,425	10	56,616	38,838	46
EBITDA (1)	7,618	7,313	4	19,144	15,173	26
EBITDA %	40%	42%		34%	39%	
Capital Expenditures (2)	3,650	7,412	(51)	21,532	22,993	(6)
Gross Capital Assets	103,322	76,448	35	103,322	76,448	35
Total Assets	104,255	84,678	23	104,255	84,678	23

Notes:

(1) *Earnings before interest, taxes, depreciation and amortization ("EBITDA") is not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation".*

(2) *Includes assets acquired under finance lease and purchases of intangible assets. Capital expenditures are net of rental asset disposals.*

Revenue generated for the three months ended September 30, 2012, increased 10% to $19.2 million versus $17.4 million for the same period in 2011. Third quarter 2012 revenue grew primarily as a result of increased matting deployment from Strad's expanded matting fleet. Surface equipment revenues also increased modestly year-over-year in the third quarter. The increased revenue in the two key product lines was achieved despite a 25% reduction in active drilling rigs during the quarter. This performance was achieved through market share gains as well as revenue generated with non-oil and gas customers.

Revenue generated for the nine months ended September 30, 2012, increased 46% to $56.6 million compared to $38.8 million for the same period in 2011. Capital expenditures in 2011 and during the first half of 2012 continue to be the main driver of the revenue increase year-over-year.

EBITDA for the three months ended September 30, 2012, of $7.6 million, increased 4% compared to $7.3 million for the same period in 2011. EBITDA as a percentage of revenue for the three months ended September 30, 2012, was 40% compared to 42% for the same period in 2011. This modest decrease is due to the increased infrastructure required to coordinate and manage an expanded equipment fleet in Canada.

EBITDA for the nine months ended September 30, 2012, increased 26% to $19.1 million compared to $15.2 million for the same period in 2011. Increased EBITDA is due to increased revenue during the first nine months of 2012 compared to the same period in 2011. EBITDA as a percentage of revenue for the nine months ended September 30, 2012, was 34% compared to 39% for the same period in 2011.

U.S. Operations

($000's)	Three months ended September 30, 2012	2011	% chg.	Nine months ended September 30, 2012	2011	% chg.
Revenue	16,550	18,813	(12)	57,401	41,977	37
EBITDA [(1)]	2,785	7,686	(64)	15,390	15,861	(3)
EBITDA %	17%	41%		27%	38%	
Capital Expenditures [(2)]	4,289	(1,424)	401	32,373	34,666	(7)
Gross Capital Assets	105,754	66,790	58	105,754	66,790	58
Total Assets	118,872	106,082	12	118,872	106,082	12

Notes:

(1) *Earnings before interest, taxes, depreciation and amortization ("EBITDA") is not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation".*

(2) *Includes assets acquired under finance lease and purchases of intangible assets. Capital expenditures are net of rental asset disposals.*

Revenue for the three months ended September 30, 2012, decreased 12% to $16.6 million from $18.8 million for the same period in 2011. The decrease was a result of the overall reduction in drilling activity in the U.S., which was most pronounced in Pennsylvania's Marcellus resource play where Strad's U.S. Operations experienced lower utilization rates due to customer shifts towards other oil and natural gas liquids rich resource plays. Rig counts in the Marcellus peaked in the third quarter of 2011 and continued to trend downward. Year-over-year, rig counts are down 30%. The number of active rigs dropped 16% in the third quarter of 2012 versus the second quarter of 2012. While Strad continues to refocus its operations accordingly, the overall reduction in drilling brought about by continued depressed natural gas prices has impacted third quarter revenue levels. Further impacting third quarter revenue was the dry weather in North Dakota that contrasted sharply with the very wet weather experienced in the third quarter of 2011. These conditions represented opposite extremes for seasonal weather patterns and resulted in significantly lower matting utilization on a year-over-year basis.

Revenue for the nine months ended September 30, 2012, increased 37% to $57.4 million compared to $42.0 million for the same period in 2011. Increased revenue has been mainly driven by capital additions in 2011 and the first half of 2012. Also, the U.S. Operations is continuing to see increased revenue contributions from new product lines including solids control and satellite communications.

EBITDA for the three months ended September 30, 2012, decreased 64% to $2.8 million compared to $7.7 million for the same period in 2011. EBITDA as a percentage of revenue for the three months ended September 30, 2012, was 17% compared to 41% for the same period in 2011. The decrease in EBITDA is due to the previously mentioned reduction in overall asset utilization rates in the Marcellus and matting utilization rates in the Bakken, increased infrastructure required to coordinate and manage Strad's recently expanded fleet, as well as a shift in product mix.

EBITDA for the nine months ended September 30, 2012, decreased 3% to $15.4 million compared to $15.9 million for the same period in 2011. The slight decrease, despite the higher revenue, is due to the increased infrastructure costs as well as a shift in product mix. EBITDA as a percentage of revenue for the nine months ended September 30, 2012, was 27% compared to 38% for the same period in 2011.

Product Sales

($000's)	Three months ended September 30, 2012	2011	% chg.	Nine months ended September 30, 2012	2011	% chg.
Revenue	15,379	26,437	(42)	47,682	45,359	5
EBITDA (1)	2,357	3,291	(28)	6,913	6,498	6
EBITDA %	15%	12%		14%	14%	
Capital Expenditures (2)	208	142	46	855	221	287
Total Assets	8,339	8,061	3	8,339	8,061	3

Notes:

(1) *Earnings before interest, taxes, depreciation and amortization ("EBITDA") is not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation".*

(2) *Includes assets acquired under finance lease and purchases of intangible assets.*

Revenue for the three months ended September 30, 2012, decreased 42% to $15.4 million from $26.4 million for the same period in 2011 resulting primarily from lower Product Sales in the U.S. This was largely due to one large sale to a customer in 2011 that was not expected to reoccur. Product Sales in Canada were also lower than a year ago due to fewer drill pipe sales, offset with higher matting sales prior to the winter drilling season.

Product Sales are comprised of in-house manufactured products sold to external customers, third party equipment sales to existing customers, and sales of equipment from Strad's existing fleet to customers. Product Sales revenues tend to fluctuate quarter to quarter depending on customer demand and manufacturing capacity dedicated to external sales.

Revenue for the nine months ended September 30, 2012, increased 5% to $47.7 million compared to $45.4 million for the same period in 2011. The increase in revenue was due to the increased manufacturing capacity in Nisku, which resulted in increased sales of manufactured products to external customers, and strong sales of third party mats to existing customers during the first half of 2012.

EBITDA for the three months ended September 30, 2012, of $2.4 million, declined by 28% compared to $3.3 million for the same period in 2011. The decrease in EBITDA is due to decreased sales during the third quarter. EBITDA as a percentage of revenue for the three months ended September 30, 2012, was 15% compared to 12% for the same period in 2011. EBITDA as a percentage of revenue will vary from quarter to quarter depending on the mix of sales as third party equipment sales and sales of equipment from Strad's existing fleet are at lower margins compared to sales of in-house manufactured products.

EBITDA for the nine months ended September 30, 2012, increased 6% to $6.9 million compared to $6.5 million for the same period in 2011. EBITDA as a percentage of revenue for the nine months ended September 30, 2012, remained consistent at 14%.

Corporate

Selling, general and administrative expenses are largely allocated to the operating segments and reflected in the EBITDA performance discussed previously. The remaining unallocated Corporate costs consist of head office infrastructure including executive members and associated costs of operating a public company. Corporate costs for the three months ended September 30, 2012, were $0.7 million as compared to $0.8 million for the same period in 2011. Corporate costs as a percentage of total revenue during the three months ended September 30, 2012, was 1% compared to 1% for the same period in 2011.

Depreciation and Amortization

Depreciation and amortization related to property, plant and equipment and intangible assets used in continuing operations was $7.4 million for the three months ended September 30, 2012, compared to $5.2 million for the same period in 2011. Capital additions of $55.8 million during the first nine months of 2012, and $79.7 million in 2011, increased depreciation and amortization for the most recent period.

Interest and Finance Fees

Interest expense from continuing operations totaled $0.9 million for the three months ended September 30, 2012, compared to $0.5 million for the same period in 2011. The increase in interest expense was due to higher average debt balances during the three months ended September 30, 2012, compared to the same period in 2011. As at September 30, 2012, total funded debt outstanding was $62.5 million compared to $34.5 million as at September 30, 2011. The increase in funded debt at September 30, 2012, is due to capital expenditures of $55.8 million during the first nine months of 2012 and $79.7 million in 2011.

Finance fees from continuing operations totaled $0.1 million for the three months ended September 30, 2012, compared to $31 thousand for the same period in 2011. Financing fees are costs incurred to secure debt financing. The increase in fees for the three months ended September 30, 2012, is due to costs incurred to amend Strad's syndicated credit agreement in 2012.

Gain/Loss on Foreign Exchange

Loss on foreign exchange from continuing operations for the three months ended September 30, 2012, was $0.5 million compared to a gain of $0.9 million for the same period in 2011. The Company is exposed to foreign currency fluctuations as certain balances within working capital may vary due to changing Canada/U.S. exchange rates. The Company has increased its exposure to U.S. dollars as operations in the U.S. have increased year-over-year. The Canadian dollar has strengthened by 6% against the U.S. dollar over the past year (1 CAD = 1.02 USD at September 30, 2012, compared to 1 CAD = 0.96 USD at September 30, 2011).

Income Taxes

For the three months ended September 30, 2012, the Company recorded income before income taxes, non-controlling interest and discontinued operations of $3.2 million and the Company incurred current income tax expense of $0.8 million and future tax recovery of $0.5 million from continuing operations, compared to a current tax expense of $2.1 million and a future income tax expense of $2.7 million for the same period in 2011. The future income tax expense, or recovery, represents timing differences between accounting book value and tax basis. The anticipated amount and timing of expense or recovery of future taxes will be dependent upon the Company's actual results, and the actual acquisition and disposition of assets and liabilities. The overall effective tax rate was 27% for the nine months ended September 30, 2012, compared to 38% for the same period in 2011. The overall effective tax rate for the nine months ended September 30, 2011 was higher due to current and future tax true-ups based on filed tax returns.

Discontinued Operations

On January 13, 2012, the Company announced the sale of its Production Services Division. Therefore, the financial results of the Production Services Division have been classified as discontinued operations in the Company's condensed interim consolidated financial statements.

For the three months ended September 30, 2012, the Company recorded income of $nil, net of tax, from discontinued operations compared to income of $0.1 million for the same period in 2011.

Non-Controlling Interest

For the three months ended September 30, 2012, non-controlling interest loss of $22 thousand was recorded compared to $0.5 million for the same period in 2011. Non-controlling interest exists in less than wholly-owned subsidiaries of the Company and earnings or losses of the subsidiaries are included in the Company's net income and adjusted to reflect the portion attributable to the non-controlling interest.

On March 1, 2012, the Company acquired the remaining 25% of the issued shares of one of its subsidiaries for purchase consideration of $2.7 million. The Company now holds 100% of the equity share capital of the subsidiary. The carrying amount of the non-controlling interest in the subsidiary on the date of acquisition was $1.1 million. The Company recorded a decrease in equity attributable to owners of the parent of $1.6 million, representing the excess between the consideration and the carrying amount of the non-controlling interest.

On May 31, 2012, the Company acquired the remaining 10% of the issued shares of one its subsidiaries for share purchase consideration of $1.9 million. The Company now holds 100% of the equity share capital of the subsidiary. The carrying amount of the non-controlling interest in the subsidiary on the date of acquisition was $1.1 million. The Company recorded a decrease in equity attributable to owners of the parent of $0.8 million, representing the excess between the consideration and the carrying amount of the non-controlling interest.

Subsequent to quarter end, the Company acquired the remaining 10% of the issued shares of one of its subsidiaries for purchase consideration of $1.2 million on October 1, 2012. The Company now holds 100% of the equity share capital of the subsidiary.

Reduction of Stated Capital

At the Annual and Special Meeting of Shareholders held on May 9, 2012, a reduction of stated capital of $39.1 million was approved by way of a special resolution which eliminated the $28.3 million deficit as at December 31, 2011, against share capital. The difference between the approved reduction of stated capital and deficit was included in contributed surplus. The entire reduction of stated capital was attributable to previous goodwill write-downs and elimination of the deficit provides a more representative view of the accumulated operating results of Strad.

SUMMARY OF QUARTERLY RESULTS

	Three months ended (unaudited)			
($000's, except per share amounts)	**Sep. 30, 2012**	**Jun. 30, 2012**	**Mar. 31, 2012**	**Dec. 31, 2011**
Revenue from continuing operations	51,094	54,304	56,301	62,098
EBITDA from continuing operations(1)	12,030	10,885	15,981	17,169
Net income from continuing operations	2,937	2,772	5,123	7,661
Per share ($), basic	0.08	0.08	0.14	0.21
Per share ($), diluted	0.08	0.07	0.14	0.21

	Three months ended (unaudited)			
($000's, except per share amounts)	**Sep. 30, 2011**	**Jun. 30, 2011**	**Mar. 31, 2011**	**Dec. 31, 2010**
Revenue from continuing operations	62,675	36,717	26,782	27,462
EBITDA from continuing operations(1) (2)	17,484	10,498	7,158	7,068
Net income from continuing operations(2)	7,325	3,569	1,271	1,818
Per share ($), basic	0.20	0.10	0.03	0.07
Per share ($), diluted	0.20	0.10	0.03	0.06

Notes:

(1) *EBITDA is a not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation".*
(2) 2010 EBITDA and net income amounts are presented in accordance with IFRS.

Strad's quarterly performance has historically been affected by seasonal variations in the WCSB. The Company has geographically diversified its operations where approximately half of Strad's gross capital assets are located in the U.S. The United States does not normally experience the same reduction in drilling activity as the WCSB does in the second quarter. Strad's product diversity helps further mitigate seasonal variations. In Canada, the demand for matting products is minimal during the first quarter, much stronger in the second quarter and third quarter and then decreases through the end of the year. Demand for surface equipment is typically strong in the first quarter, decreases in the second quarter and then increases over the next two quarters. Strad invests strategically in its asset base so the deployment of new equipment can coincide with higher levels of sustained activity in the second half of the year.

LIQUIDITY AND CAPITAL RESOURCES

($000's)	September 30, 2012	June 30, 2012
Current assets	55,238	59,559
Current liabilities	31,121	36,028
Working capital	24,117	23,531
Banking facilities		
Operating facility	3,515	5,459
Syndicated revolving facility	53,500	52,500
Total facility borrowings	57,015	57,959
Total available facilities	110,000	100,000
Unused Borrowing capacity	52,985	42,041

At September 30, 2012, working capital was $24.1 million compared to $23.5 million at June 30, 2012. The change in working capital is consistent with the modest change in revenue from the second quarter of 2012 to the third quarter of 2012. Funds from operations for the nine months ended September 30, 2012, increased to $36.7 million compared to $30.2 million for the same period in 2011. During the same period in 2012, Strad spent $55.8 million on capital additions compared to $58.7 million for the same period in 2011. Management monitors funds from operations and the timing of capital additions to ensure adequate capital resources are available to fund Strad's capital program.

On August 25, 2012, the Company amended its syndicated credit facility, increasing the operating facility by $10.0 million USD and decreasing standby rates charged on the undrawn portion of the committed facility and extending the maturity date to July 25, 2015. The Company's syndicated banking facility consists of an operating facility with a maximum principal amount of $15.0 million CAD and $10.0 million USD and an $85.0 million revolving facility, both of which are subject to certain limitations on accounts receivable, inventory and net book value of fixed assets and are secured by a general security agreement over the Company's assets. The syndicated banking facility bears interest at bank prime plus a variable rate, which is dependent on the Company's funded debt to EBITDA ratio. Based on the Company's funded debt to EBITDA ratio of 1.1 to 1 at the end of Q3 2012, the interest rate on the syndicated banking facility is bank prime plus 1.25% on prime rate advances and at the prevailing rate plus a stamping fee of 2.25% on bankers' acceptances. For the three months ended September 30, 2012, the overall effective rate on the operating facility was 4.12% and 3.78% on the revolving facility. As of September 30, 2012, $3.5 million was drawn on the operating facility and $53.5 million was drawn on the revolving facility. Payments on the revolving facility are interest only.

As at September 30, 2012, the Company was in compliance with all of the syndicated banking facility covenants.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations as at September 30, 2012, were as follows:

($000's)	Total	1 Year or Less	2-3 Years	4-5 Years
Finance Leases	5,897	3,237	2,640	20
Operating leases	11,773	3,716	4,660	3,397
Total Commitments	17,670	6,953	7,300	3,417

All of the Company's contractual obligations range from less than one year to 10 years.

OUTSTANDING COMPANY SHARE DATA

	As of November 1, 2012 *(unaudited)*
Common shares – voting	37,251,301
Options	2,168,334
Fully diluted Common Shares	39,419,635

OFF BALANCE SHEET ARRANGEMENTS

At September 30, 2012, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Compensation of key management

Key management includes the Company's directors and members of the Executive Management team. The compensation paid or payable to key management for services is shown below:

	Three months ended September 30,		**Nine months ended September 30,**	
	2012	**2011**	**2012**	**2011**
Salaries and short-term employee benefits	$ 431	$ 362	$ 1,013	$ 1,106
Share-based payments	191	136	488	408
	622	498	1,501	1,514

Certain key management personnel and a director have loans totaling $1.6 million from the Company. Proceeds of the loans were used to purchase Common Shares in the Company. The loan balances are non-interest bearing for the first three years of the loan for employees who are officers of the Company.

On January 12, 2012, the Company sold its 100% shareholdings in Strad Production Services Ltd. and Sunwell Industries Ltd. to a related party, being a former executive of the Company. The Company received proceeds of $8.4 million consisting of $7.4 million cash and a $1.0 million note receivable.

On July 7, 2012, the Company issued a non-interest bearing loan of $335 thousand to an executive officer for purchase of common shares in the Company.

On August 20, 2012, the Company issued a non-interest bearing loan of $243 thousand to a member of the executive management team for purchase of common shares in the Company.

FINANCIAL INSTRUMENTS

All of the Company's financial instruments as at September 30, 2012, relate to standard working capital and credit facility items. There are no significant differences between the carrying value of these financial instruments and their estimated fair values. There are no off-balance sheet arrangements and the Company does not use any financial instruments such as derivatives. Of the Company's financial instruments, accounts receivable represents credit risk. The Company provides credit to its customers in the normal course of operations. The Company's credit risk policy includes performing credit evaluations of its customers. Substantially all of the Company's accounts receivable are due from companies in the oil and natural gas industry and are subject to the normal industry credit risk. Management views the credit risk related to accounts receivable as minimal. Funds drawn under the syndicated banking facility bear interest at a floating interest rate. Therefore, to the extent that the Company borrows under this facility, the Company is at risk to rising interest rates.

The Company is exposed to the following additional risks:

Liquidity risk is the risk that the Company will not be able to meet financial obligations at the point at which they become due. Management's approach to managing risk includes utilizing detailed working capital, cash and capital expenditure forecasting and monthly budgeting to ensure liquidity is available when the financial obligations are due. Management's assessment of its liquidity reflects estimates, assumptions and judgements relating to current market conditions.

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's net earnings or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to foreign exchange risk associated with its U.S. Operations where revenues, costs, and purchases of capital assets are denominated in USD. The Company is also exposed to foreign exchange risk as certain balances within working capital may fluctuate due to changing Canada/U.S. exchange rates. The Company does not utilize derivative financial instruments with respect to foreign exchange. For the nine months ended September 30, 2012, if the exchange rate had weakened by 1% against the Canadian dollar with all other variables constant, after tax net earnings would have decreased by $21 thousand (2011 - $106 thousand).

CRITICAL ACCOUNTING ESTIMATES

Management is required to make judgements, assumptions and estimates in applying its accounting policies and practices, which have a significant impact on the financial results of the Company. The following discussion outlines the accounting policies and practices involving the use of estimates that are critical to determining Strad's financial results.

Amounts recorded for depreciation and amortization are based on the estimated useful lives of the underlying assets. Useful lives are based on management's best estimate using knowledge of past transactions, and as such are subject to measurement uncertainty. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear and legal or other limits to use. It is possible that changes in these factors may cause changes in the estimated useful lives of the Company's property, plant and equipment in the future.

The Company's assets are segregated into cash-generating units based on their ability to generate largely independent cash flows and used for impairment testing. The determination of the Company's cash-generating units is subject to management's judgment.

The Company tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units are determined using the greater of fair value less costs to sell and value-in-use. Fair value less costs to sell and value-in-use calculations require the use of estimates, assumptions and judgements. Value-in-use calculations require management to use assumptions regarding discount rates and estimated future cash flows. Fair value less costs to sell requires management to make judgements of fair value using market conditions as well as estimations of costs to sell.

Compensation costs accrued for long-term stock-based compensation plans are subject to their fair value estimation by using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term.

Inventory is to be carried at the lower of cost and net realizable value. Management's best estimate of net realizable value is the selling price prevailing in the market.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by Management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and the Chief Financial Officer, have designed, or have caused to be designed under their supervision, the Company's disclosure controls and procedures to provide reasonable assurances that the information required to be disclosed by the Company in its filings or other reports submitted by it under securities legislation is in compliance with the time periods specified in the securities legislation. They are assisted in this responsibility by the Company's Management team. These disclosure controls and procedures include controls and procedures which have been designed to ensure that the information required to be disclosed by the Company in its filings or other reports submitted by it under securities legislation is accumulated and communicated to the Company's Management to allow timely decisions regarding required disclosure.

As at December 31, 2011, an evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of the design and operation of Strad's disclosure controls and procedures as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. Based on this evaluation, the CEO and CFO have concluded that, as at December 31, 2011, Strad's disclosure controls and procedures, as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, were effective.

During 2012, Strad has focused on continuous improvement and improved execution of its disclosure controls and procedures. Strad will continue to evaluate the disclosure controls and procedures with modifications being made when necessary. There were no changes in Strad's disclosure controls and procedures that occurred during the nine months ended September 30, 2012, which have materially affected, or are reasonably likely to materially affect, Strad's disclosure controls and procedures.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing, establishing and maintaining internal controls over financial reporting; as such term is defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings. The Chief Executive Officer and Chief Financial Officer of the Company will have to certify on a quarterly and annual basis that senior management has designed such internal controls over financial reporting ("ICFR"), or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design ICFR is the Internal Control – Integrated Framework ("COSO Framework") published, by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Chief Executive Officer and Chief Financial Officer of the Company directed the assessment of the design and operating effectiveness of the Company's internal controls over financial reporting as at December 31, 2011, and based on that assessment determined that the Company's internal controls over financial reporting was, in all material respects, appropriately designed and operating effectively.

The Company's internal controls over financial reporting may not prevent or detect all errors, misstatements and fraud. The design of internal controls must also take into account resource constraints. A control system, including the Company's internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

During the nine months ended September 30, 2012, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to have materially affected the Company's internal controls over financial reporting.

RISKS AND UNCERTAINTIES

The operations of Strad face a number of risks and uncertainties in the normal course of business that may be beyond its control, but which could have a material adverse effect on the Company's financial condition and results of operations.

Risks in the Oil and Natural Gas Exploration and Production Industry

The oil and natural gas exploration and production industry in which the Company operates is highly volatile, and there can be no assurances that demand for the Company's services will be maintained at current levels.

The demand, pricing and terms of oil and natural gas services now and in the future largely depend upon the level of exploration, development and production activity for both crude oil and natural gas in the WCSB and in the United States. Oil and natural gas industry conditions are influenced by numerous factors over which the Company has no control, including oil and natural gas prices, expectations about future oil and natural gas prices, levels of consumer demand, the cost of exploring for, producing and delivering oil and natural gas, the expected rates of declining current production, the discovery rates of new oil and natural gas reserves, available pipeline and other oil and natural gas transportation capacity, weather conditions, political, regulatory and economic conditions, and the ability of oil and natural gas companies to raise equity capital or debt financing.

Competition

The Company competes with a number of companies, some of which have greater technical and financial resources. The market consists of a range of companies, large and small, public and private. There can be no assurance that competitors will not substantially increase the resources devoted to the development and marketing of services that compete with those of the Company, or that new or existing competitors will not enter the various markets in which the Company is active. In addition, reduced levels of activity in the oil and natural gas industry could intensify competition and the pressure on competitive pricing and may result in lower revenues or margins to the Company. The Company's customers may elect not to purchase its services if they view the Company's financial viability as unacceptable, which would cause the Company to lose customers.

Ongoing Capital Requirements

The Company's business strategy is based in part upon the continued expansion of the Company's ability to provide a range of oil and natural gas rental equipment and related services. In order to continue to implement its business strategy, the Company will be required to further its capital investment. The Company's ability to obtain financing or to access the capital markets for future offerings may be limited by the restrictive covenants and limits in the Company's current and future debt agreements, by the Company's future financial condition, and by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties beyond the Company's control.

Seasonality of Oilfield Operations

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. While the Company's facilities are open and accessible year-round, spring breakup reduces the Company's activity levels in Canada.

Accounts Receivable

A substantial portion of the Company's accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be affected by fluctuations in oil and natural gas prices. Customers are generally invoiced for our services in arrears. As a result, the Company is subject to its customers delaying or failing to pay invoices. Risk of payment delays or failure to pay is increased during periods of weak economic conditions due to potential reduction in cash flow and access to capital of the Company's customers. It is not uncommon for the Company to have receivables in excess of 90 days and in such event the Company will take all reasonable steps to collect such receivables. The Company does not have significant exposure to any individual customer, other than one customer that accounted for 10% of revenue from continuing operations.

Environmental Legislation

The oil and natural gas industry is subject to environmental regulations pursuant to a variety of provincial, state and federal legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and natural gas industry operations. In addition, such legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of government authorities. Compliance with such legislation can require significant expenditures by Strad's customers and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties.

For additional information that could affect the Company's business, see "Risk Factors" in the Company's AIF which is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements and information contained in this MD&A constitute forward-looking statements. More particularly, this MD&A contains forward-looking statements concerning future capital expenditures of the Company, demand for the Company's products and services, drilling activity in North America, pricing of the Company's products and services, introduction of new products and services, manufacturing capacity to meet anticipated demand for the Company's products, and expected exploration and production industry activity. These statements relate to future events or to the Company's future financial performance and involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements.

The use of any of the words "expect", "plan", "continue", "estimate", "anticipate", "potential", "targeting", "intend", "could", "might", "should", "believe", "may", "predict", or "will" and similar expressions are intended to identify forward-looking information or statements. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this MD&A. The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements. These factors include, but are not limited to, such things as the impact of general industry conditions, fluctuation of commodity prices, industry competition, availability of qualified personnel and management, stock market volatility and timely and cost effective access to sufficient capital from internal and external sources. The risks outlined above should not be construed as exhaustive. Although management of the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Accordingly, readers should not place undue reliance upon any of the forward-looking information set out in this MD&A. All of the forward-looking statements of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. The various risks to which the Company is exposed are described in this MD&A under the heading "Risk Factors" above and in additional detail in the Company's Annual Information Form (**"AIF"**). Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking information or statements, whether the result of new information, future events or otherwise.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

The Company's Management is responsible for the information disclosed in this MD&A and the accompanying unaudited condensed interim consolidated financial statements, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Company, and has reviewed and approved this MD&A and the related unaudited condensed interim financial statements.

NON-IFRS MEASURES RECONCILIATION

Certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under IFRS and previous GAAP and, therefore, are considered non-IFRS measures. These measures are described and presented in order to provide shareholders and potential investors with additional information regarding the Company's financial results, liquidity and its ability to generate funds to finance its operations. These measures are identified and presented, where appropriate, together with reconciliations to the equivalent IFRS or previous GAAP measure. However, they should not be used as an alternative to IFRS or previous GAAP, because they may not be consistent with calculations of other companies. These measures are further explained below.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") is not a recognized measure under IFRS and previous GAAP. Management believes that in addition to net income, EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how those activities are financed or how the results are taxed. EBITDA is calculated as net income from continuing operations plus interest, finance fees, taxes, depreciation and amortization, non-controlling interest, loss on disposal of property, plant and equipment, loss on foreign exchange, less gain on foreign exchange and gain on disposal of property, plant and equipment. Segmented EBITDA is based upon the same calculation for defined business segments, which are comprised of Canadian Operations, U.S. Operations, Product Sales and Corporate.

Funds from operations are cash flow from operating activities excluding changes in working capital. It is a supplemental measure to gauge performance of the Company before non-cash items. Working capital is calculated as current assets minus current liabilities. Working capital is used by Management to gauge what banking facilities are available for reinvestment in the business.

Annualized return on average total assets for the nine months ended September 30, 2012, is calculated as annualized year to date EBITDA divided by the average of total assets over the fourth quarter of 2011 and first and second quarters of 2012, including a three month lag. The three month lag represents the time between the purchase of capital assets and when they are deployed in the field and earning revenue. In 2011, the return on average total assets calculation was adjusted to include total Company assets, whereas prior calculations included total drilling services assets only.

Funded debt is calculated as bank indebtedness plus current and long-term portion of debt plus current and long-term portion of finance lease obligations, less cash.

Reconciliation of EBITDA and Funds from Operations
($000's)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income from continuing operations	2,937	7,325	10,832	12,165
Add:				
Depreciation and amortization	7,362	5,214	20,618	13,485
Loss/(gain) on disposal of PP&E	22	52	46	(89)
Non-controlling interest	22	497	355	830
Share-based payments	218	132	580	493
Deferred income tax expense	(528)	2,749	2,176	5,792
Financing fees	63	31	179	31
Interest expense	854	457	1,936	1,145
Funds from operations	10,950	16,457	36,722	33,852
Add:				
Loss/(gain) on foreign exchange	510	(915)	879	(313)
Current income tax expense	788	2,074	1,875	2,094
Subtotal	12,248	17,616	39,476	35,633
Deduct:				
Share-based payments	218	132	580	493
EBITDA	12,030	17,484	38,896	35,140

Reconciliation of quarterly non-IFRS measures
($000's)

	Three months ended (unaudited)			
	Sep. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011
Net income from continuing operations	2,937	2,772	5,123	7,661
Add:				
Depreciation and amortization	7,362	7,003	6,253	5,713
Loss/(gain) on disposal of PP&E	22	(11)	35	(96)
Loss/(gain) on foreign exchange	510	(32)	401	52
Non-controlling interest	22	(187)	520	543
Current income tax (recovery)/expense	788	(104)	1,191	1,177
Deferred income tax expense	(528)	748	1,956	1,499
Interest expense	854	638	444	568
Finance fees	63	58	58	52
EBITDA	12,030	10,885	15,981	17,169

	Three months ended (unaudited)			
	Sep. 30, 2011	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2010[(1)]
Net income from continuing operations	7,325	3,569	1,271	1,818
Add:				
Depreciation and amortization	5,214	4,611	3,660	3,010
Gain on disposal of PP&E	52	(119)	(22)	(5)
(Gain)/loss on foreign exchange	(915)	329	273	529
Non-controlling interest	497	(210)	543	76
Current income tax expense/(recovery)	2,074	-	20	(562)
Deferred income tax expense	2,749	1,832	1,211	1,654
Interest expense	457	486	202	535
Finance fees	31	-	-	13
EBITDA	17,484	10,498	7,158	7,068

Notes:
(1) 2010 amounts are presented in accordance with IFRS.